

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF MARYLAND
SOUTHERN DIVISION

)
HARVEST BANK OF MARYLAND,) Case Number:
)
Plaintiff,) 8:09-CV-00176-RWT
)
vs.)
)
COUNTRYWIDE HOME LOANS, INC.,)
)
Defendant.)
_____)

Deposition of
JOHN P. HOLLERBACH
Baltimore, Maryland
Friday, March 19, 2010
9:58 a.m.

Job No.: 1-175796

Pages: 1 - 172

Reported by: John L. Harmonson, RPR

Deposition of

JOHN P. HOLLERBACH

Held at the offices of:

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Baltimore, Maryland 21202

(410) 528-5600

15 Taken pursuant to the Federal Rules of Civil
16 Procedure, before John L. Harmonson, Registered
17 Professional Reporter, Notary Public in and for the
18 State of Maryland, who officiated in administering the
19 oath to the witness.

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1 That's Harvest Bank of Maryland's headquarters.

2 Q. And how long have you been employed at
3 Harvest Bank?

4 A. I'm the founder of the bank, which was
5 organized during the 2003-2004 period. My official
6 employment began the date that we were certified by
7 the State of Maryland and FDIC, which was
8 November 15, 2004. I was employed by the organization
9 group prior to that for approximately eight months.

10 Q. And your current title with Harvest Bank
11 is?

12 A. Harvest Bank of Maryland.

13 Q. Just for purposes of the deposition, when I
14 say Harvest Bank, I mean Harvest Bank of Maryland.

15 A. Okay. Thank you.

16 My title is vice chairman, president and
17 CEO.

18 Q. How many employees does the bank have?

19 A. Approximately 32. I'm not sure what
20 exactly it is today, but it's about 32.

21 Q. And what are your responsibilities?

22 A. I have general executive responsibilities

1 for the company and its holding company, Harvest
2 Bancorp.

3 Q. What do you mean by general executive
4 responsibilities?

5 A. Those duties that would normally accrue to
6 a chief executive of a bank holding company and a
7 bank.

8 Q. Can you tell me what they are, please?

9 A. They would involve a variety of supervisory
10 activities of a general nature. Coordinating the
11 marketing, asset management, financial results,
12 forecasting, budgeting, a supervisory role over
13 various people who do all of those roles.

14 Q. Do you report to the board of directors?

15 A. Yes, I do.

16 Q. Are you the highest ranking executive at
17 the bank?

18 A. Well, I'm the chief executive officer. I
19 guess by definition that means that I am.

20 Q. You don't report to anybody -- You don't
21 report to another executive; is that correct?

22 A. No. The chairman of the board coordinates

1 the activities of the board. I report to the board in
2 total.

3 Q. What did you do before you got involved
4 with Harvest Bank?

5 A. Can you refine that question? I've had 35
6 years of employment.

7 Q. I don't want to go through your entire
8 35-year employment history. But what was the job you
9 had before you got involved with Harvest Bank?

10 A. Well, immediately prior to the formation of
11 the bank I was a CPA in my own practice, doing work
12 for a variety of clients in the banking sectors and
13 nonprofit sectors, small manufacturers, tech
14 companies, as a general interim CFO or financial
15 advisor.

16 Q. Did you operate as a business entity or
17 just as a sole proprietorship?

18 A. I have an LLC that I operate under that
19 flows directly into my personal income tax statement.
20 So I'm the only employee of that.

21 Q. It was under that LLC that you operated
22 your CPA practice?

1 A. Yes.

2 Q. What is the name of that LLC?

3 A. Hollerbach & Associates, LLC.

4 Q. And so how long were you engaged -- how
5 many years, approximately, were you engaged in this
6 private practice as a CPA?

7 A. Well, in this latest iteration of it, about
8 two years. Roughly two years, I would guess. Being a
9 CPA for many years, I've had an ability to go in and
10 out of it as my more permanent employment situations
11 have changed. So I have had several iterations of
12 this role, roughly doing similar things.

13 Q. All right. So the most recent period in
14 which you were a CPA in private practice was
15 immediately before you became involved with Harvest
16 Bank, and that period lasted about two years; is that
17 correct?

18 A. I think that's a good estimate. Two years,
19 yeah.

20 Q. What did you do before that?

21 A. Well, it's probably better to jump back a
22 few years prior to that and then work up to that.

1 Q. Okay. Why don't we do that.

2 A. My background generally has been in
3 increasing roles of accounting and financial analysis
4 responsibility through many years. Ten years in New
5 York in the Park Avenue area working for companies
6 like Bristol-Myers, Lehman Brothers, Citibank, and I
7 entered banking when I joined Citibank.

8 I came down to Maryland with Citibank in
9 1986. I spent another two years with them in Maryland
10 working on the Choice credit card, then moved over to
11 Maryland National Bank for a couple of years until the
12 real estate market imploded.

13 I was in my CPA practice for a while then,
14 and my biggest client became Ed Hale. And I assisted
15 in the ousting of the board of the Bank of Baltimore
16 and went in there as the senior VP finance, corporate
17 controller. I was in that role in successor companies
18 for about five years.

19 I went back into industry after the
20 consolidation of the First Union business in Virginia
21 with the Poole & Kent Company as CFO.

22 Q. I'm sorry. The what company?

1 A. The Poole & Kent company, the mechanical
2 contractor which built Reagan Stadium and many other
3 buildings around here.

4 And after the sale of that building I hung
5 up my shield again and picked up a variety of clients
6 along the way, and ultimately that led to the work at
7 starting Harvest Bank of Maryland.

8 Q. All right.

9 A. That's a synopsis of a lot of different
10 types of roles.

11 Q. All right. Thank you.

12 I would like to focus initially on the
13 period that you were at Bank of Baltimore.

14 A. Uh-huh.

15 Q. What years was that, approximately?

16 A. Well, the proxy contest concluded on
17 September 11, 1991. I remember that date very
18 clearly. We took over the management of the bank the
19 day after that and were, within a short period of
20 time, hit with regulatory orders for all of the issues
21 that we had raised in the proxy contest. We were now
22 sitting there defending the bank.

1 I became, in addition to corporate
2 controller, the point man of the resolution of all of
3 those regulatory orders and worked through those with
4 the regulators for about three and a half years until
5 we sold the bank to First Fidelity Bank from
6 Philadelphia.

7 Q. When was that?

8 A. This was at the very end of 1994. I stayed
9 on. I basically played the same role as CFO for
10 Maryland for First Fidelity for another year until
11 the -- I don't remember the exact date, but the later
12 part of 1995.

13 And then First Fidelity was sold to First
14 Union, so I stayed on for a little while as the CFO
15 for Maryland for First Union. And eventually that
16 role was consolidated into the Virginia part of First
17 Union, so I had a severance package offered to me,
18 which I moved on to and I went back into industry with
19 Poole & Kent.

20 Q. So the year that you took the severance
21 package was '95?

22 A. Right at the end of '95, yeah.

1 Q. And you said that you entered banking with
2 Citibank. What year was that?

3 A. 1984.

4 Q. All right. And you came to Maryland with
5 Citibank in 1986?

6 A. Right. Right at the beginning, January of
7 '86.

8 Q. And what was your job title at that time
9 when you came to Maryland?

10 A. I was VP of finance for the marketing
11 division for the Choice card.

12 Q. That was a credit card?

13 A. Yeah. It was a competitor card to Visa and
14 Master Card. It was a Citibank-owned competitor. A
15 part of my role was to figure out what to do with it,
16 how to get broader acceptance in the merchant
17 community.

18 And after a couple of years we figured out
19 that there wasn't the amount of merchant acceptance
20 that would be needed to make it a full-scale
21 competitor. So it morphed into an entry-level Visa
22 card, basically marketed to students and people who

1 had credit problems.

2 So at that point my job went away and I was
3 considering going back to New York with Citi. I had
4 an opportunity to go back there, and with a young
5 family I decided that wasn't the best thing to do.

6 And I met the CFO of Maryland National Bank
7 and he offered me a job.

8 Q. All right. And you worked at Maryland
9 National for how long?

10 A. Less than two years. I would say about 22
11 months or so.

12 Q. And your job there was?

13 A. I was manager of budgets for Maryland
14 National Bank.

15 Q. And you left there in what year?

16 A. The later part of 1990.

17 Q. What's your educational background?

18 A. BBA in accounting from Iona College. MBA
19 also from Iona. CPA in Maryland. Certificate in
20 environmental studies from Hopkins.

21 Q. So you got your bachelor's from Iona in
22 what year?

1 A. '75.

2 Q. And then your MBA in what year?

3 A. '79.

4 Q. And you became a licensed CPA in what year?

5 A. 1990.

6 Q. And you continue to be a licensed CPA?

7 A. Yeah. I'm an active CPA.

8 Q. In Maryland?

9 A. Yes.

10 Q. Any other states?

11 A. No.

12 Q. And then you mentioned another degree from
13 Hopkins?

14 A. A certificate in environmental studies. It
15 was a two-year certificate program.

16 Q. When did you get that?

17 A. I think it was '88 or '89. I'm not quite
18 sure on that. Let me think about that. I was just
19 finishing up at -- No, I would say it's probably '94.
20 '94 I got that. Because I remember being at Bank of
21 Baltimore as I was completing it.

22 Q. Any other education?

1 million-dollar loss before I got there.

2 And there was a hard lesson learned with
3 Stuart and the CEO at Cardinal Bank about being
4 careful about risk management, which I totally bought
5 into and endorsed wholeheartedly.

6 So that was the general theme. I mean
7 again, when we brought the initial portfolio -- and I
8 want to say it was 5 or 6 million dollars out of that
9 10 or 11 million dollars that we brought in from
10 capital that we put to work in some bonds when we
11 first started. There was always this underlying theme
12 in our relationship about my aversion to excess credit
13 risk.

14 So when we started talking about
15 Countrywide mortgages, the conversation immediately
16 went to "We are a commercial bank. Our business is
17 making commercial loans, real estate loans, business
18 loans. It's been suggested to us in the course of
19 conversations with investors, regulators, other
20 people, that it may be a good idea to diversify the
21 portfolio a little bit, that we don't know this
22 business, how do we do this?"

1 Q. This is what you told Mr. McGehee?

2 A. Yes, absolutely.

3 "I don't want to have to worry about any
4 residential loans that we buy from you. What's the
5 criteria that we look to in determining what's a
6 portfolio that we won't have to worry about? Because
7 I know how to underwrite commercial loans. We know
8 that just inherent in any given market there is risk
9 here."

10 And at that point in time we may have had
11 70 or 80 million dollars in commercial loans on the
12 books already, and my thin staff had to spend time
13 making sure that the underwriting and the tracking of
14 those loans and servicing of them was what it needed
15 to be.

16 "So Stuart, what is the criteria? What can
17 we do to ensure that any loans we buy are going to be
18 good?"

19 And that conversation developed very
20 quickly into three parameters, which I know you heard
21 him speak of at his deposition. It was 700 credit
22 score; it was 80 percent loan to value or less; and it